

**DISCLAIMER**

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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 18, 2002

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY

CASE NO. PUE-2002-00375

For a general increase in rates

**ORDER FOR NOTICE AND HEARING**

On June 24, 2002, Virginia-American Water Company ("Virginia-American" or the "Company") filed its Application. The Company filed copies of public financial reports and revised tariff sheets on June 25, 2002.<sup>1</sup> According to its Application, at 3, Virginia-American has applied for a general increase in rates in accordance with Article 2 (§ 56-234 et seq.) of Title 56 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings, 20 VAC-5-200-30.

The Company seeks \$1,110,669 in additional annual revenues based on a test year ending December 31, 2001. This amount would represent an overall increase in revenues of approximately 3.7 percent. Of the total increase, \$238,349 in additional annual revenues would be allocated to the Company's Alexandria District. Additional annual revenues of \$872,320 would be allocated to the Hopewell District. Virginia-American proposes that the revised rates and charges take effect for service rendered on and after November 22, 2002. (Application at 2, 3)

In addition to the revised rates and charges, the Company proposes a Rider B, Computation of Piping Facilities Charge for Non-potable Water System, for two Hopewell

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<sup>1</sup> After consultation with the Commission Staff, Virginia-American filed on July 8, 2002, several revised schedules and additional working papers.

District customers. Virginia-American advanced funds to these customers to pay the cost of piping for non-potable water, and the surcharge would recover these advances over 10 years. Application of the surcharge would commence with the bill following the last advance. (Id. at 2-3 and Exhibit A)

As provided by the Commission's Rules of Practice and Procedure ("Rules of Practice"), 5 VAC 5-20-160, the Staff prepared on July 3, 2002, a memorandum of completeness. The Staff determined that the application was complete on June 25, 2002.

Upon consideration of the Application with accompanying schedules, testimony, and exhibits, and the memorandum of completeness, the Commission finds that this application for a general increase in rates should be docketed and that, as required by §§ 56-237 and 56-237.1 of the Code, notice of the application should be given. While the Company does not propose any changes in rates and charges for its Prince William District, we will direct that notice of the application be provided to customers in that district as well as the Hopewell and Alexandria Districts.

The Commission further finds that a public hearing on the lawfulness of the proposed revised rates and charges should be held. We will assign a hearing examiner to conduct the hearing and to file a report with Commission. We will also direct the Commission Staff to investigate the application and present its findings at the hearing. The Commission will provide an opportunity for participation and representation of persons affected by the proposed changes in rates and charges.

As provided by § 56-240 of the Code, the proposed revised rates and charges for the Hopewell and Alexandria Districts shall go into effect on November 22, 2002. The Hopewell

District piping facilities charge did not bear an effective date, so it will go into effect after 30 days' notice on July 25, 2002.

The proposed rates and charges and surcharge shall take effect subject to the power of the Commission to fix and to substitute just and reasonable rates and to order the utility to make refunds or give credits. While § 56-240 of the Code does not expressly provide for interest on any refund ordered, we have interpreted this and other provisions of Title 56 of the Code to empower the Commission to require a utility to pay interest on any refund. Commonwealth Public Service Corp., Case No. PUE940076, 1994 Ann. Rep. 424.

Accordingly, IT IS ORDERED THAT:

(1) As provided by Article 2 (§ 56-234 et seq.) and related provisions of Title 56 of the Code, Virginia-American's application be docketed as Case No. PUE-2002-00375 and that all associated papers be filed in that docket.

(2) As provided by § 56-240 of the Code, Virginia-American's proposed rates and charges, with the exception of the Hopewell District Rider B, Computation of Piping Facilities Charge for Non-potable Water System, may take effect on November 22, 2002, subject to the Commission's power to fix and order substituted just and reasonable rates, charges, terms, and conditions, and to order refunds or credits.

(3) As provided by § 56-240 of the Code, the Hopewell District Rider B, Computation of Piping Facilities Charge for Non-potable Water System, may take effect on July 25, 2002, subject to the Commission's power to fix and order substituted just and reasonable rates, charges, terms, and conditions, and to order refunds or credits.

(4) On or before August 2, 2002, Virginia-American shall file with the Commission's Division of Energy Regulation two copies of tariff sheets showing proposed rates and charges for

the Hopewell and Alexandria Districts and bearing a filing date of June 25, 2002. Sheets setting out the proposed rates and charges for all services except Rider B shall bear an effective date of November 22, 2002, and the following caption at the foot of each sheet: "Effective November 22, 2002, subject to investigation and modification by the Virginia State Corporation Commission in Case No. PUE-2002-00375." Sheets setting out Rider B, Computation of Piping Facilities Charge for Non-potable Water System, shall bear an effective date of July 25, 2002, and the following caption at the foot of each sheet: "Effective July 25, 2002, subject to investigation and modification by the Virginia State Corporation Commission in Case No. PUE-2002-00375."

#### Procedures for the Public Hearing

(5) A public hearing be held beginning at 10:00 a.m., December 11, 2002, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive evidence on the application for a general increase in rates.

(6) As provided by § 12.1-31 of the Code and the Commission's Rules of Practice, 5 VAC 5-20-120, *Procedure before hearing examiners*, a hearing examiner be appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

(7) On or before August 12, 2002, Virginia-American may file with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, an original and fifteen (15) copies of any additional testimony and exhibits by which it expects to establish its case.

(8) On or before September 23, 2002, any person who expects to participate as a respondent in this proceeding shall file with the Clerk at the address set out in ordering paragraph

(7) an original and fifteen (15) copies of a notice of participation as a respondent, as required by the Rules of Practice, 5 VAC 5-20-80 B, *Participation as a respondent*, and shall serve a copy on counsel to Virginia-American, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and on Commission Staff counsel assigned to the matter, Wayne N. Smith, Office of General Counsel, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218-1197. The notice of participation shall be filed and served as required by the Rules of Practice, 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*. Any organization, corporation, or government entity participating as a respondent must be represented by counsel as required by the Rules of Practice, 5 VAC 5-20-30, *Counsel*.

(9) Within five (5) business days of receipt of a notice of participation as a respondent, Virginia-American shall serve upon each respondent a copy of this Order, a copy of the application, and all materials filed with the Commission, unless these materials have already been provided to the respondent.

(10) On or before October 28, 2002, each respondent shall file with the Clerk an original and fifteen (15) copies of the testimony and exhibits by which it expects to establish its case and shall serve a copy of the testimony and exhibits on counsel to Virginia-American and on all other parties. Respondents shall comply with the Rules of Practice, 5 VAC 5-20-140, *Filing and service*, 5 VAC 5-20-150, *Copies and format*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*.

(11) Interested persons may file written comments on the application with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Comments should refer to Case No. PUE-2002-00375 and should be filed

by October 28, 2002. The filing of comments by e-mail or facsimile is not authorized in this proceeding.

(12) The Commission Staff shall investigate the application. On or before November 15, 2002, the Staff shall file with the Clerk the testimony and exhibits that it intends to present at the hearing and copies of any workpapers that support the recommendations made in its testimony. Copies of the testimony and exhibits shall be served on all parties.

(13) On or before December 2, 2002, Virginia-American may file with the Clerk an original and fifteen (15) copies of all testimony and exhibits that it expects to offer in rebuttal to testimony and exhibits of the respondents and the Commission Staff and shall serve one copy on all parties.

(14) The Rules of Practice, 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, shall be modified for this proceeding as follows:

(i) answers and objections shall be served within twelve (12) days after receipt of interrogatories, counting weekends and holidays; (ii) motions on the validity of any objections raised shall be filed within four (4) business days of receipt of the objection; and (iii) answers, objections, and motions on the validity of objections shall be served by 3:00 p.m. on the date due, unless the Staff or party upon whom service must be made agrees in advance to other arrangements.

#### Procedures for Providing Notice

(15) On or before August 9, 2002, Virginia-American shall serve by first-class mail a copy of this Order on all officials previously served as required by Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings, 20 VAC-5-200-30 H.

(16) On or before August 9, 2002, Virginia-American shall make available for inspection copies of the application, as supplemented, and this Order at the following offices:

Virginia-American Water Company  
2223 Duke Street  
Alexandria, VA  
(Alexandria and Prince William Districts)

Virginia-American Water Company  
900 Industrial Street  
Hopewell, VA  
(Hopewell District).

(17) Virginia-American shall publish as display advertising the following notice once a week for two consecutive weeks in a newspaper or newspapers of general circulation in its *Alexandria and Prince William Districts*. Publication shall be completed by August 30, 2002.

NOTICE TO CUSTOMERS OF  
VIRGINIA-AMERICAN WATER COMPANY OF  
A GENERAL INCREASE IN RATES FOR  
THE ALEXANDRIA DISTRICT

Virginia American-Water Company has filed with the Virginia State Corporation Commission an application for a general increase in rates. The application has been docketed as Case No. PUE-2002-00375. The Company seeks \$1,110,669 in additional annual revenues based on a test year ending December 31, 2002. This amount would represent an overall increase in revenues of approximately 3.7 percent. *Of the total increase, \$238,349 in additional annual revenues would be allocated to the Alexandria District. Additional annual revenues of \$872,320 would be allocated to the Hopewell District. No increase is proposed for the Prince William District.*

The proposed rates for the Alexandria District follow:

RATE:

	Gallons per		Rate Per
	<u>Month</u>	<u>Quarter</u>	<u>1,000 Gallons</u>
For the first	2,000	6,000	(minimum charge)
For all over	2,000	6,000	1.3611

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>		<u>Minimum Charge</u>	
		<u>Per Month</u>	<u>Per Quarter</u>
5/8	inch	8.19	24.57
3/4	inch	12.30	36.90
1	inch	20.49	61.47
1 1/2	inch	40.99	122.97
2	inch	65.58	196.74
3	inch	122.97	368.91
4	inch	204.95	614.85
6	inch	409.90	1,229.70
8	inch	655.83	1,967.49

SERVICE CONNECTION CHARGE:

3/4 inch service connection	\$900.00
Service Connections over 3/4 inch	Actual cost to Company including overhead

All service connection charges will be grossed-up for federal income tax if any should occur.

The rates and charges approved by the State Corporation Commission after the investigation and hearing discussed in the following paragraphs may differ from these proposed rates and charges.

The proposed rates and charges shall take effect for service rendered on and after November 22, 2002. The proposed rates and charges shall take effect subject to the power of the Commission to fix and to substitute just and reasonable rates and to order the utility to make refunds or give credits.

The application and related filings may be inspected in the Document Control Center, Office of the Clerk, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, between 8:15 a.m. and 5:00 p.m. on Commission business days. The application may also be inspected during regular business hours at Virginia-American Water Company, 2223 Duke Street, Alexandria, Virginia.

The State Corporation Commission has ordered its Staff to investigate the application and has established procedures for



affected persons to participate or be represented in the proceeding. A hearing will be held on the application beginning at 10:00 a.m. on December 11, 2002, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street. Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing date at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

Interested persons may file written comments on the application with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Comments should refer to Case No. PUE-2002-00375 and should be filed by October 28, 2002. The Commission cannot accept in this proceeding comments provided by e-mail or facsimile. The Commission cannot assure senders using these methods of communication that any comments will be associated with Case No. PUE-2002-00375.

Any interested person may participate as a public witness at the hearing on December 11, 2002. Interested persons should arrive at the Commission's Courtroom by 9:45 a.m. and tell the Commission's Bailiff that they wish to be a public witness.

On or before September 16, 2002, any person who expects to present evidence, to cross-examine witnesses, and to otherwise participate as a respondent in this proceeding, as provided by the State Corporation Commission Rules of Practice and Procedure (Rules of Practice), 5 VAC 5-20-80 B, *Participation as a respondent*, shall file with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, an original and fifteen (15) copies of a notice of participation as a respondent. Copies shall be served on counsel to Virginia-American, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and on Commission Staff counsel assigned to the matter, Wayne N. Smith, Office of General Counsel, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218-1197. The notice of participation shall be filed and served as required by the Rules of Practice, 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*. As required by the Rules of Practice, 5 VAC 5-20-30, *Counsel*, any organization, corporation, or government entity participating as a respondent must be represented by counsel.

The unofficial text of the State Corporation Commission's orders in Case No. PUE-2002-00375, may be viewed at <http://www.state.va.us/scc/caseinfo/orders.htm>. The Commission's Rules of Practice and Procedure and other information may be viewed at <http://www.state.va.us/scc>.

(18) Virginia-American shall publish as display advertising the following notice once a week for two consecutive weeks in a newspaper or newspapers of general circulation in its *Hopewell District*. Publication shall be completed by August 23, 2002.

NOTICE TO CUSTOMERS OF  
VIRGINIA-AMERICAN WATER COMPANY OF  
A GENERAL INCREASE IN RATES FOR  
THE HOPEWELL DISTRICT

Virginia American-Water Company has filed with the Virginia State Corporation Commission an application for a general increase in rates. The application has been docketed as Case No. PUE-2002-00375. The Company seeks \$1,110,669 in additional annual revenues based on a test year ending December 31, 2002. This amount would represent an overall increase in revenues of approximately 3.7 percent. *Of the total increase, additional annual revenues of \$872,320 would be allocated to the Hopewell District.* Additional annual revenues of \$238,349 would be allocated to the Alexandria District. No increase is proposed for the Prince William District.

The proposed rates for the Hopewell District follow:

RATE:

	<u>Month</u>	<u>Quarter</u>	Rate Per <u>100 Cubic Feet</u> (minimum charge)
For the first	3 ccf	9 ccf	
For the next	17 ccf	51 ccf	3.2640
For the next	2,980 ccf	8,940 ccf	2.7500
For the next	7,000 ccf	21,000 ccf	1.7670
For the next	50,000 ccf	150,000 ccf	0.7320
All Over	60,000 ccf	180,000 ccf	1.0000

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>		<u>Minimum Charge</u>	
		<u>Per Month</u>	<u>Per Quarter</u>
5/8	inch	11.80	35.40
3/4	inch	17.70	53.10
1	inch	29.40	88.20
1 1/2	inch	58.90	176.70
2	inch	94.20	282.60
3	inch	176.60	529.80
4	inch	294.00	882.00
6	inch	589.00	1,767.00
8	inch	942.00	2,826.00
10	inch	1,276.00	3,828.00
12	inch	2,537.00	7,611.00

SERVICE CONNECTION CHARGE:

3/4 inch service connection	\$560.00
Service Connections over 3/4 inch	Actual cost to Company including overhead

All service connection charges will be grossed-up for federal income tax if any should occur.

Available to all metered customers that purchase non-potable service and have potable and non-potable annual consumption averages less than 3 million gallons per day.

RATE:

	<u>Month</u>	<u>Quarter</u>	<u>Rate Per</u> <u>100 Cubic Feet</u>
First	10,000 ccf	30,000 ccf	1.4030
Next	20,000 ccf	60,000 ccf	1.2000
All over	30,000 ccf	90,000 ccf	.6648

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>		<u>Minimum Charge</u>	
		<u>Per Month</u>	<u>Per Quarter</u>
5/8	inch	11.80	35.40
3/4	inch	17.70	53.10
1	inch	29.40	88.20
1 1/2	inch	58.90	176.70
2	inch	94.20	282.60
3	inch	176.60	529.80

4	inch	294.00	882.00
6	inch	589.00	1,767.00
8	inch	942.00	2,826.00
10	inch	1,276.00	3,828.00
12	inch	2,537.00	7,611.00

Available to all metered customers that purchase non-potable service and have potable and non-potable annual consumption averages greater than or equal to 3 million gallons per day.

RATE:

	<u>Month</u>	<u>Quarter</u>	<u>Rate Per 100 Cubic Feet</u>
First	10,000 ccf	30,000 ccf	1.0000
Next	290,000 ccf	870,000 ccf	.6658
All over	300,000 ccf	900,000 ccf	.7320

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

<u>Size of Meter</u>		<u>Minimum Charge</u>	
		<u>Per Month</u>	<u>Per Quarter</u>
5/8	inch	11.80	35.40
3/4	inch	17.70	53.10
1	inch	29.40	88.20
1 1/2	inch	58.90	176.70
2	inch	94.20	282.60
3	inch	176.60	529.80
4	inch	294.00	882.00
6	inch	589.00	1,767.00
8	inch	942.00	2,826.00
10	inch	1,276.00	3,828.00
12	inch	2,537.00	7,611.00

In addition, Virginia-American has proposed Hopewell District Rider B, Computation of Piping Facilities Charge for Non-potable Water System, for two Hopewell District customers. Virginia-American advanced funds to these customers to pay the cost of piping for non-potable water, and the surcharge would recover these advances over 10 years. Application of the surcharge would commence with the bill following the last advance.

The rates and charges approved by the State Corporation Commission after the investigation and hearing discussed in the following paragraphs may differ from these proposed rates and charges.

Rider B shall take effect July 25, 2002, and the proposed rates and charges for other service shall take effect for service rendered on and after November 22, 2002. The proposed rates and charges and Hopewell District Rider B shall take effect subject to the power of the Commission to fix and to substitute just and reasonable rates and to order the utility to make refunds or give credits.

The application and related filings may be inspected in the Document Control Center, Office of the Clerk, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia between 8:15 a.m. and 5:00 p.m. on Commission business days. The application may also be inspected during regular business hours at Virginia-American Water Company, 900 Industrial Street, Hopewell, Virginia.

The State Corporation Commission has ordered its Staff to investigate the application and has established procedures for affected persons to participate or be represented in the proceeding. A hearing will be held on the application beginning at 10:00 a.m. on December 11, 2002, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street. Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing date at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

Interested persons may file written comments on the application with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Comments should refer to Case No. PUE-2002-00375 and should be filed by October 28, 2002. The Commission cannot accept in this proceeding comments provided by e-mail or facsimile. The Commission cannot assure senders using these methods of communication that any comments will be associated with Case No. PUE-2002-00375.

Any interested person may participate as a public witness at the hearing on December 11, 2002. Interested persons should arrive at the Commission's Courtroom by 9:45 a.m. and tell the Commission's Bailiff that they wish to be a public witness.

On or before September 16, 2002, any person who expects to present evidence, to cross-examine witnesses, and to otherwise participate as a respondent in this proceeding, as provided by the State Corporation Commission Rules of Practice and Procedure (Rules of Practice), 5 VAC 5-20-80 B, *Participation as a respondent*, shall file with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118 an original and fifteen (15) copies of a notice of participation as a respondent. Copies shall be served on counsel to Virginia-American, Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074, and on Commission Staff counsel assigned to the matter, Wayne N. Smith, Office of General Counsel, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218-1197. The notice of participation shall be filed and served as required by the Rules of Practice, 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*. As required by the Rules of Practice, 5 VAC 5-20-30, *Counsel*, any organization, corporation, or government entity participating as a respondent must be represented by counsel.

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(19) Virginia-American shall include once as a bill insert for customers in the Alexandria and Prince William Districts the text of the public notice prescribed in ordering paragraph (17) and shall include once for customers in the Hopewell District the text of the public notice prescribed in ordering paragraph (18). Including the bill insert shall commence as soon as practicable and shall continue until all customers have received the insert.

(20) On or before November 1, 2002, Virginia-American shall file with the Clerk proof of the posting, mailing and publication required by ordering paragraphs (15), (16), (17), (18), and (19).